



SONDY POPE-ROBERTS

STATE REPRESENTATIVE

79TH ASSEMBLY DISTRICT

January 20, 2010

Members of the Assembly Committee on Urban and Local Affairs

I would like to thank you, Madam Chair, for scheduling a hearing on Assembly Bill 611.

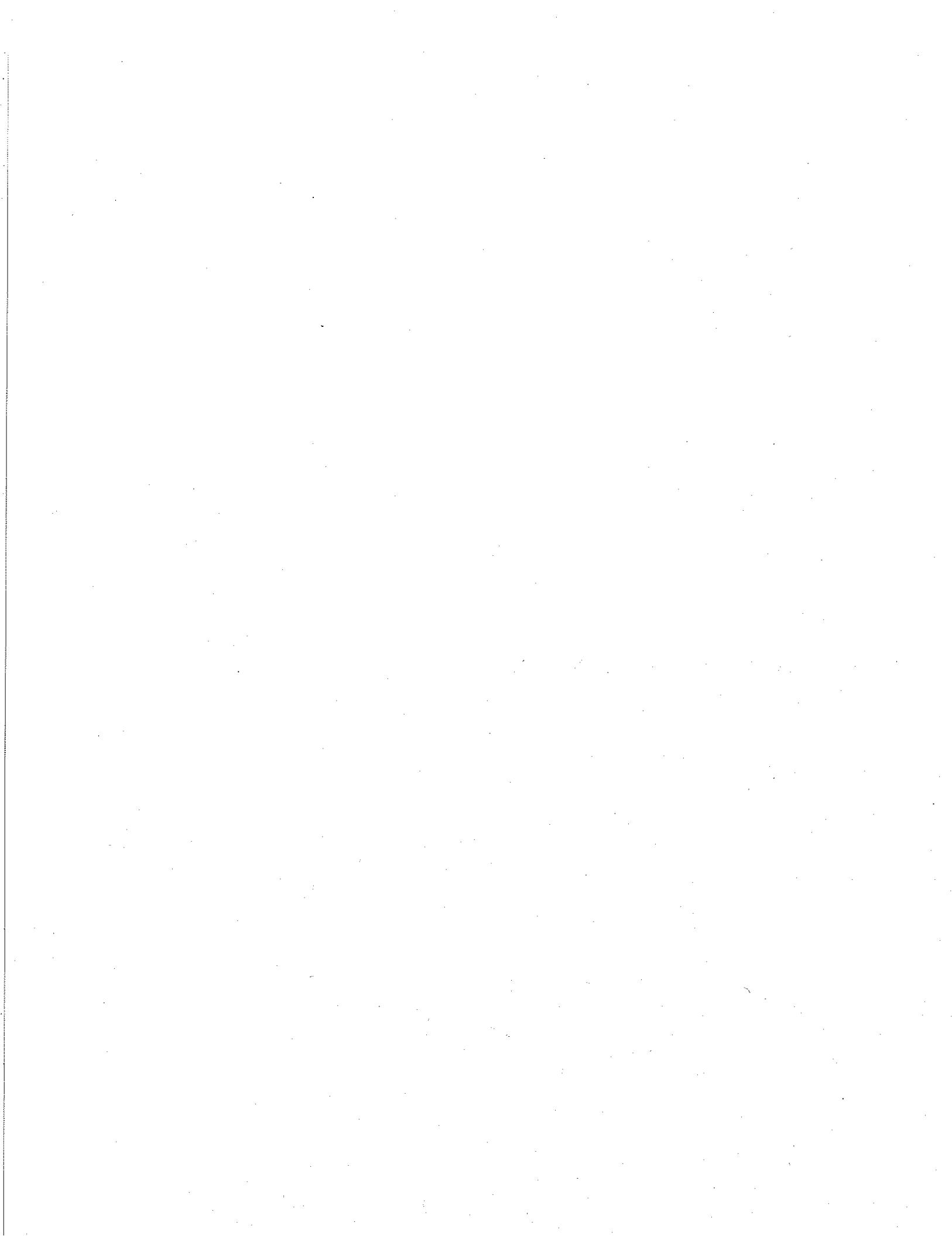
Last year, late in the budget cycle, one of my municipalities came to me with an issue they were having with one of their tax incremental districts (TID). Their newly created TID was overlapped with an existing district and, according to state statute, this meant that any of the property falling within both boundaries had to be counted twice when considering the municipality's 12% total TID value limit. Through a process I'm sure many of you have experienced, the next step my locals took was coming to me for a fix. This has become the common practice and as such, the statutes have become riddled with specific exemptions for individual areas.

My locals were able to be flexible enough with the Department of Revenue (DOR) to have their problem cleared up without legislation. Through the process, however, I was able to work with DOR and Senator Erpenbach to craft legislation, AB 611, which would prevent these all too common situations from being revisited by the legislature.

AB 611 shifts the timeline for the application to DOR for certification of a TID from December 31st to October 31st. This allows DOR the flexibility to work with municipalities to determine if they have crossed the 12% threshold. The bill also allows a county board to certify by resolution any TID within one of its municipalities that exceeds the 12% limit by March 15th. This provision gives municipalities another option and also places control into the hands of locals who tend to have more working knowledge of those affected by TIDs.

The double counting of overlapping TIDs is also eliminated by AB 611. This was never the intention of DOR and under this legislation previously counted overlapped districts would not be assessed twice. Additionally, in the interest of open and honest government, AB 611 requires that all meetings creating or amending TIDs be noticed publicly. Current law does not cover all meetings affecting TIDs and they are an important issue that directly affects the amount of taxes paid by each citizen. Finally, this legislation authorizes the DOR to deny certification to any municipality that does not pay their annual fee by May 15th.

You will also notice that there is a simple amendment, Assembly Amendment 1, to AB 611. This amendment allows municipalities to remove land value from their TID application before the December 31st deadline, which is consistent with the intent of this bill, and changes the type of notice from a class two to a class one notice. A class one notice is more commonly used for local meetings and requires publication five days before a meeting.



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AB 611 Pope-Roberts

I hope you join me in supporting this important piece of legislation. AB 611 will greatly reduce the amount of individual exemptions the legislature is asked to make and will also increase local control and participation in the creation of TIDs.

Thank you again, madam chair, for scheduling this hearing and fellow committee members for your time and attention to this matter. I will be happy to answer any questions you may have.

Sincerely,



Sondy Pope-Roberts
State Representative
79th Assembly District





State of Wisconsin • DEPARTMENT OF REVENUE

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Improving Administration of Tax Incremental Financing AB 611 -- SB 412

More Local Control – Less Legislative Involvement

Current law prohibits a municipality from creating new TIF districts if more than 12% of the equalized property value of the municipality would be contained in one or more TIF districts. This is often referred to as the 12% limit. As a result, municipalities regularly come to the Legislature to ask for exceptions to the 12% limit for their TIFs.

This legislation would allow a municipality to exceed the 12% limit for individual TIF districts if a county board adopts a resolution by March 15th recommending the new TIF district (even if the new TIF pushes the municipal property value over the 12% limit). This change shifts the decision-making closer to those affected by the TIF. Local county board members have a direct connection to local TIFs while most legislators (other than with connections to the district) do not.

Adjust Approval Timing -- DOR Gives Advance Notice

Municipalities often need help from the Department of Revenue (DOR) to determine whether their proposed TIF districts exceed the 12% limit. But the current process and timing laid out in the statutes requires DOR to make a final determination on the 12% test with no opportunity for changes.

This legislation would move up the date final TIF resolutions are due to DOR (from December 31st to October 31st) and require DOR to notify a municipality by December 31st if the TIF district exceeds the 12% limit. If a TIF is over 12%, a municipality would have 2 ½ months to seek county board approval for the TIF district (by March 15th).

Overlapping Parcels – No Double Counting

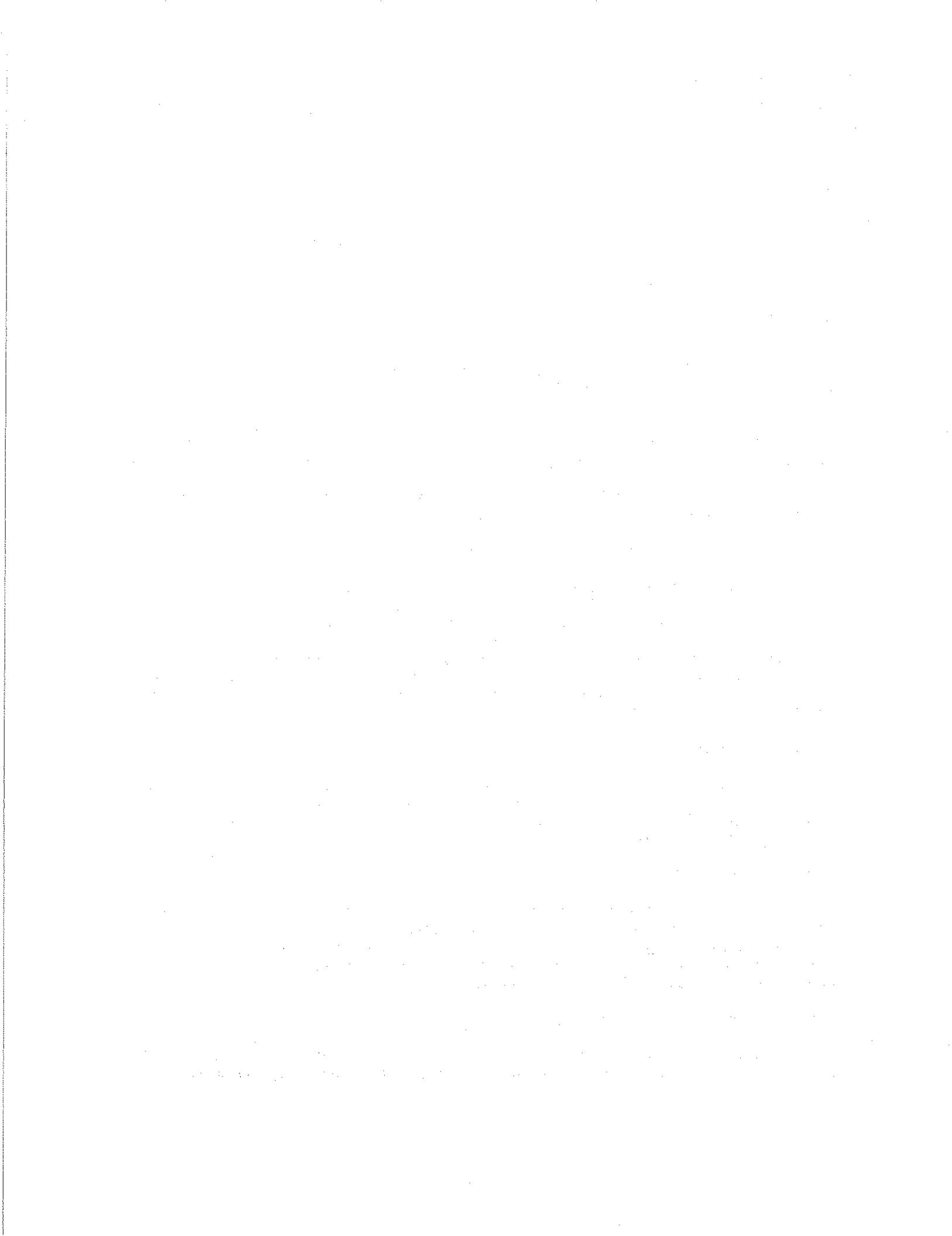
Current law requires DOR to count the same property parcels twice in calculating the 12% limit if those parcels are contained in two separate TIF districts. This requirement results in double counting when DOR looks at the 12% limit. This was never intended. This legislation would exclude previously-counted parcels from future 12% tests.

More Public Notice

While current law requires that some meetings relating to creation or amendment of a TIF district be publicly noticed, not all TIF meetings are covered under current law. This legislation would ensure that all Joint Review Board meetings (the local body created to review, recommend and create TIF districts) are advertised as open to the public. The public needs notice of and access to government meetings and decisions that can have a significant impact on property tax levels.

Increments Not Authorized if Fees Not Paid

Municipalities pay an annual fee to the DOR (\$150) for each active TIF district. This legislation would direct DOR not to authorize a municipality's annual TIF increment if the annual fee is not paid by May 15.



Herald Times Reporter

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Opinion

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TIF costs impact tax bills

At this the time of the year property tax bills are powerful reminders of the cost of government. Although inconvenient, they are also an important way to hold local government accountable. Unfortunately they can be very confusing.

In Manitowoc for the past few months we've read how the City Council, school boards and the county board have made the tough decisions necessary to hold down increases in the property tax. But when the actual tax bill showed up with significant increases for the school district and the county, it caused many to ask what happened.

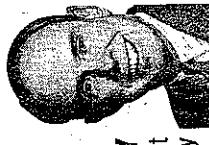
There is an explanation, and it's an important one. Each year the various entities make decisions for their budgets, set a tax levy, and turn the information over to the city treasurer, who prints the tax bill, collects the money from you, and sends it back to the school and county. Each has its own tax rate, listed separately to make up the total property tax bill.

Most of us are familiar with that, but don't know that the city also adds a

Manitowoc County's rate behaved similarly. Its levy would have decreased its rate slightly by about 1.15 percent, but the final tax bill actually shows a 1.12 percent increase.

In both cases the resulting increase to taxpayers is directly due to the more than 41 percent increase in the "TIF markup" over last year. It amounts to more than an 8 percent increase on each individual taxing district's line (although that money is kept by the city to pay TIF expenses). Without it, there would have been a small decrease in the total tax rate you pay.

Tax Incremental Financing is a popular way for cities throughout Wisconsin to spur economic development. Projects are supported with local infrastructure investments usually funded with borrowing in order to build taxable property values that can add to the tax base later. The public investments are repaid by capturing the property tax paid by the increased property values and using those TIF increments to repay the debt. However, in order to do that local property taxpayers are



MIKE HERRITY

Guest commentary

charged extra to replace the loss caused by the division of these increments. This causes that "TIF markup" on the tax bill every year, but noticed only because of its impact on our latest tax bill.

TIF is not free money! This year alone, as a result of TIF, property taxpayers in Manitowoc are paying over \$3.2 million extra, over 8 percent of their tax bills, to fund prior TIF expenditures. If credibility and accountability in local government are going to be meaningful, especially in these difficult economic times, that cost should be listed separately on property tax bills so that we can all see it clearly and decide for ourselves what our view is of it.

As an example, for a \$100,000 home taxes collected for the various taxing districts amount to \$2,008.62, plus a "TIF markup" of \$164.67 kept by the city for a total tax bill of \$2,173.29.

For accountability in government, taxpayers have a right to know how much TIF costs.

Mike Herrity is president of the Manitowoc Board of Education.

2008-2009 City of Manitowoc Tax Bill With TID District Component Shown Separately

2008 Tax Levy for 2009 Budget				2009 Tax Levy for 2010 Budget			
Original Request Property Taxes Requested by the Taxing Jurisdictions	Amount added by City for TID Districts	Tax Levy With TID Increment	Original Request Property Taxes Requested by the Taxing Jurisdiction	% Increase (- Decrease)	Amount added by City for TID Districts	% Increase (- Decrease)	Tax Levy With TID Increment
City of Manitowoc	\$112,281,938.00	\$117,793.40	\$12,287,549.00	0.05%	\$1,016,314.34	41.59%	\$11,303,853.54
State of Wisconsin	\$329,831.24	\$0.00	\$329,831.24	5.85%	\$0.00	0.00%	\$349,110.63
County Apportionment to City of Manitowoc	\$9,665,367.03	\$564,873.13	\$10,230,240.16	1.16%	\$808,719.76	43.17%	\$10,586,385.36
Manitowoc School Dist. Apor to City	\$15,782,497.00	\$805,490.59	\$14,387,987.59	3.76%	\$1,182,845.54	46.85%	\$15,483,804.54
Lakeshore VTAE Dist. Apor to City	\$2,703,750.00	\$158,015.28	\$2,861,765.28	4.77%	\$234,288.78	48.27%	\$3,066,910.78
	\$38,763,383.27	\$2,246,172.40	\$41,009,555.67	2.02%	\$1,242,168.62	44.34%	\$42,790,074.85
							4.34%

Assessed Tax Rate - Original Request

City of Manitowoc	\$6,383.78	\$6,240.76	-2.24%
State of Wisconsin	\$0.17144	\$0.17731	3.42%
County Apportionment to City of Manitowoc	\$5,023.76	\$4,966.01	-1.15%
Manitowoc School Dist. Apor to City	\$7,163.72	\$7,263.36	1.39%
(\$1,337.80)		(\$1,243.90)	-7.02%
Manitowoc School Dist. Credit	\$1,405.33	\$1,438.67	2.37%
Lakeshore VTAE Dist. Apor to City	\$18,810.23	\$18,842.21	0.17%

City Published Rate - Including TID Increment

City of Manitowoc	\$6,756.87	\$6,756.94	0.00%
State of Wisconsin	\$0.17144	\$0.17731	3.42%
County Apportionment to City of Manitowoc	\$5,317.37	\$5,376.75	1.12%
Manitowoc School Dist. Apor to City	\$7,582.39	\$7,864.12	3.72%
(\$1,337.80)		(\$1,243.90)	-7.02%
Manitowoc School Dist. Credit	\$1,487.46	\$1,557.66	4.72%
Lakeshore VTAE Dist. Apor to City	\$19,977.73	\$20,488.88	2.56%

2008 Tax Levy for 2009 Budget				2009 Tax Levy for 2010 Budget			
District Tax	TID District Tax	"TIF Markup"	Total Tax	District Tax	TID District Tax	"TIF Markup"	Total Tax
City of Manitowoc	\$638.38	\$37.31	\$675.69	\$624.08	\$1.62	38.35%	\$675.70
State of Wisconsin	\$17.14	\$0.00	\$17.14	\$17.73	3.44%	\$17.73	3.44%
County of Manitowoc	\$502.38	\$29.36	\$531.74	\$496.60	-1.15%	39.88%	\$537.67
Manitowoc Public School District (Net of Credit)	\$382.59	\$41.87	\$624.46	\$601.94	3.32%	43.49%	\$662.02
Lakeshore VTAE District	\$140.53	\$8.21	\$148.74	\$143.87	2.38%	11.90	\$155.77
Total Tax Bill Prior to Credits	\$1,981.02		\$1,116.75	\$1,997.77		0.17%	\$2,048.89
							2.56%

Credits include First Dollar, and Lottery Credit

Your actual tax bill may be slightly different due to rounding

\$1,884.22 Plus TIF Markup of

\$2,048.89